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The Role of Financial Accounting Standards for Small And Medium Micro Economic Sectors: Case Studies In Lowokwaru District, Malang

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Abstract

In the preparation of financial statements based on financial accounting standards is an improvement in quality of financial statements, which will leverage the credibility of the financial statements in question. The research's object to be studied are MSMEs in Food and Beverage Sector. The formulation of the problem in this study is, a) How to prepare MSME financial statements in the Food and Beverage sector based on the SAK EMKM in the Tlogomas District of Malang City, b) What are the obstacles faced by MSMEs in the Food and Beverage Sector in implementing the EMKM SAK in the Kecamatan. Tlogomas, Malang, c) What strategy model is effective from the government that allow MSMEs to apply the EMKM SAK optimally. This research method used a combination of research methods (Mixed Methods). With adequate accounting, MSME entrepreneurs can fulfill the requirements in applying for credit, such as making financial reports. The researcher offers a model for the application of electronic-based financial reporting, this is to attract investors to contribute their capital, considering that currently entering the free market. This program also makes easier for the Bank to read the financial statements of micro entities.

Key words: *Financial Accounting Standards, Small And Medium Micro Economic, Food and Beverage Sector, Electronic-based financial reporting*

JEL classification: O12, P43, R11

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Introduction

Indonesia is inseparable from business activities carried out by individuals and groups, also related to Small and Medium Enterprises (MSMEs) which are the most economic activities carried out by Indonesian society. Accounting activities can also be referred to as accounting cycles which must be structured. Accounting contains a conceptual framework, methods, standards, procedures and techniques in reporting a financial condition commonly referred to as a Financial Report.

The most basic problems in MSMEs are recording and inadequate preparation of financial reports and very simple, because many MSMEs have difficulties in making them, various factors including lack of skills regarding accounting records, because most MSMEs only record the amount of goods received and issued, number of goods purchased and sold, and the amount of receivables and debt, without using existing financial accounting standards, they still do not reflect the actual financial information in the MSME. In this regard to assist Micro, Small and Medium Enterprises (EMKM) to present financial reports, DSAK IAI has ratified the exposure of the Micro, Small and Medium Entity Financial Accounting Standards (SAK EMKM) with a simpler concept than SAK ETAP. This standard is expected to help EMKM to be able to prepare financial statements easier because it is not as complicated as SAK ETAP. However, the classification of EMKM in Indonesia which is based on Law No. 28 of 2008 still cannot separate micro entities from small and medium entities.

Micro entities in Indonesia are the smallest scale entities and have different characteristics with larger scale entities. In the preparation of financial statements based on financial accounting standards is an improvement in quality of financial statements, which will leverage the credibility of the financial statements in question. The research's object to be studied are MSMEs in Food and Beverage Sector. Similar to conditions in MSMEs that have not implemented Financial Accounting Standards in their financial statements, according to IAI in SAK EMKM (2016: 9) Entity financial statements include:

1. Financial position Report at the end of the period.
2. Income statement during the period.
3. Notes to financial reports, which contain additions and details of certain relevant accounts.

After IFRS-based SAK, SAK ETAP, now SAK EMKM. Currently, Indonesian business entities in carrying out accounting and financial reporting records recognize two types of accounting standards applicable in Indonesia, IFRS-based SAK and SAK ETAP. In the near future, there will be an additional type of SAK that can be an option for business entities in Indonesia, SAK EMKM, where Micro, Small and Medium Entity Financial Accounting Standards (ED SAK EMKM) have been approved by DSAK IAI in their meetings on May 18, 2016.

As published on the official website of IAI on June 8, 2016, IAI has stated that with the enactment of ED SAK EMKM, Micro, Small and Medium Enterprises (MSMEs) have proven capable continuously encourage and stimulate national economic growth. It is potentially high that MSMEs in dealing with Economic developments are not matched by the quality of MSMEs, such as lack of recording and financial management which are key factors in the success of these MSMEs, aware of these situations and conditions, therefor innovation in preparation for financial reports is required in accordance to financial accounting standards. MSMEs are slightly facilitated by the existence of Micro, Small, and Medium-sized Financial Accounting Standards (SAK EMKM) issued by the IAI in which Micro, Small and Medium Entity Financial Accounting Standards (ED SAK EMKM) have been approved by the Financial Accounting Standards Board in their meetings. on May 18, 2016, SAK EMKM can help to ease MSME people in applying Accounting for their business so that they can easily prepare financial statements according to the standards. Although SAK EMKM can be said to be simple, it can provide reliable information in the presentation of financial statements. In this case MSMEs are required to be able to compete and develop considering that currently they have entered free market competition. This can be done with one of ways by compiling financial statements based on the applicable Financial Accounting Standards.

From the description above, the researcher was interested in the study of Micro, Small and Medium Enterprises and the Micro Small and Medium-sized Financial Accounting Standards for which the thesis will be written entitled "Theoretical Study and Strategy of Perception of MSME Actors in the Food and Beverage Sector towards the Implementation of IFRSs EMKM in Financial Statement Presentation ". Goals Of The Research:

1. How to prepare MSME financial statements in the Food and Beverage sector based on the SAK EMKM in the Tlogomas District of Malang City?
2. What are the obstacles faced by MSMEs in the Food and Beverage Sector in implementing the EMKM SAK in the Tlogomas District, Malang?
3. What strategy model is effective from the government that allow MSMEs to apply the EMKM SAK optimally?

Research and Methodology

The research location is where researchers take to the field to conduct research and data retrieval with the aim of answering problems such as those described above. The research method is a to collect data and then process the data that will be able produce data that can solve research problems. After using this matter, the researcher calculates or considers the reasonableness in terms of the objectives and situation of the research.

This research employs a combination of research methods (Mixed Methods). According to Sugiyono (2011: 404) that, mixed methods research is one research method that combines two research methods, quantitative and qualitative methods to be used simultaneously in a research activity so the researcher may obtain more valid, reliable and objective data. Based on the description above, it can be concluded that, a combination research method is a research method that combines two methods, quantitative and qualitative research methods to be applied in a study. So that more complete and comprehensive data is obtained. The design of this study used Sequential Explanatory. According to Sugiyono that, the Sequential Explanatory design research model is an activity of collecting data and analyzing quantitative data in the first stage, then followed by collecting and analyzing qualitative data in the second stage, this is useful to strengthen the results of quantitative research conducted in the first stage (Sugiyono, 2011: 409).

Title "Study Theoretical and Perceived Perception Strategy MSMEs in the Food and Beverage Sector Against the Implementation of EMKM IFRSs in the Presentation of Financial Statements " will be applied in the Lowokwaru sub-district of Malang City. Researchers conduct research by distributing questionnaires to MSMEs in the Food and Beverage sector in the hope that they can obtain information as intended above.

In collecting data this research will apply a method that primary data collection in the form of questionnaires. According to Sugiyono (2013: 2) the research method is a scientific way to obtain data with specific purposes and uses. The technique was applied by digging data or information from MSME actors, for this reason the researcher will interview in the form of a questionnaire. The collected data from interviews then will be tabulated in a table form. Purpose of data analysis is to describe the results of a data so that it can be understood and also to draw conclusions about the characteristics of the population based on data obtained from samples, which is usually made on the basis of estimation.

In analyzing data, this study applied qualitative data using SWOT analysis. From the research conducted by Redhika and Mahalli (2012) explaining the SWOT analysis is an analysis of internal and external conditions of an organization which will then be used as a basis for designing work strategies and programs. The SWOT matrix qualitative approach as developed by Rangkuti (2005) in this study Rangkuti presents eight boxes, the top two are internal factors (Strengths and Weaknesses), while the two left-hand boxes are external factors (Opportunities and Challenges). The other four boxes are boxes of strategic issues that arise as a result of meeting points between internal and external factors. The research conducted by Redhika and Mahalli (2012) explains that SWOT analysis is an analysis of internal and external conditions of an organization which will then be used as a basis for designing work strategies and programs. Firmansyah and Abdilah (2014) explain the analysis SWOT is intended to identify all strengths and weaknesses in order to

provide a development recommendation based on the potentials available within the company's internal environment, and to analyze opportunities and threats that originate from the company's external environment. The results of the Hanafi (2008) study show that strength and opportunity factors are very prominent factors that can support the development of the Islamic banking industry in Indonesia.

ST: (Strength-Threat) cell. This cell is an interaction between strength and threat. Here efforts must be made to move or empower resources that are the strength of the organization to reduce or minimize threats from outside the company, and turn the threat into an opportunity.

Cell WO: (Weakness-Opportunity). This cell is an interaction between organizational weaknesses and external opportunities. This kind of situation provides a choice in blurred situations. Some of the opportunities that are available are very convincing but cannot be exploited because of insufficient source to work on them. The decision that will be taken is (removing the opportunities that are available for other companies to use) will force them to work on other opportunities (investment).

WT Cell: (Weakness-Threat). This cell is the weakest condition of all cells because it is a mixed between the weaknesses of the company and external threats, therefore wrong decisions will bring a great disaster to the organization. The strategy that can be taken for Weakness-Threat is (controlling losses) so that it does not make it worse than expected.

From the SWOT analysis, it will be illustrated on how:

1. Strengths of Sharia Bank (internal) consists of:
 - a. Human Resources
 - b. Marketing
 - c. Finance
 - d. Production Process
2. Weakness of Sharia Bank (internal) consists of:
 - a. Human Resources
 - b. Marketing
 - c. Finance
 - d. Production Process
3. Opportunities of Sharia Bank (external) consists of:
 - a. Social (Customers of other bank vs customers of sharia bank)
 - b. Macro-Economic (Government Regulation)
 - c. Politic (to accelerate development)
 - d. Technology
4. Threat of Sharia Bank (external) consists of:
 - a. Social (Customers of other bank vs customers of sharia bank)
 - b. Macro-Economic (Government Regulation)
 - c. Politic (to accelerate development)
 - d. Technology

The researcher will review each item from the SWOT indicator. Then, will determine conceptual the right strategy that is known so that MSME Entrepreneurs are able to present Financial Statements in accordance with SAK EMKM. Or in other words, whether the MSME Entrepreneurs have been able to present Financial Statements in accordance with the SAK and recognize the obstacles in presenting the Financial Report.

Result and Discussion

This study was performed for MSMEs in Lowokwaru District, Malang. This study aims to determine the system for MSME Financial Reports preparation, in connection with the issuance of Financial Report Standards for MSMEs, the researchers conducted research with the aim of knowing the perceptions of MSME entrepreneurs related to the implementation of the EMKM SAK in the presentation of their financial statements. Data from the East Java Provincial Statistics Agency Year 2014 stated that the growth of MSME production in East Java in the fourth quarter increased by 2.66% compared to the third quarter. The average development of MSMEs in East Java is 54.34% per year and holds 98% of the workforce. MSMEs play a role in economic growth, reducing unemployment, poverty and foreign exchange earnings (Swa, 2014). Data on the Department of Industry and Trade of East Java Province in 2015 stated that the development of business units showed an increasing trend, until the first quarter of 2015 the number of business units increased by 0.50% from 2014 with the number of workers absorbed at 3,134,809 people.

According to Wulanditya (2011), with all the facilities available today, entrepreneurs are expected MSMEs can at least foster awareness of the need for accounting. If you look at the negative aspects of making books or financial statements, there will be no end. MSMEs can see the positive aspects they will get, that by having financial reports they can assess and evaluate their performance, facilitate the acquisition of financial assistance from banks or other credit institutions, and avoid sanctions for non-compliance with tax rules. With adequate accounting, MSME entrepreneurs can fulfill the requirements in applying for credit, such as making financial reports (Warsono 2009).

However, the implementation of accounting is difficult for MSMEs because of limited knowledge about accounting, the complexity of the accounting process, and the assumption that financial statements are not important for MSMEs (Said, 2009). SWOT Analysis of EMKM SAK Based Financial Statements in Districts Lowokwaru, Malang.

1. Strength

Accounting information has an important role to play in achieving business success, including for small businesses (Magginson et al., 2000). Accounting information can be a reliable basis for economic decision making in the management of small businesses, including market development decisions, pricing and others. The advantages of recording financial statements in small and medium micro businesses can be viewed from the ease of obtaining credit loans from banks. Credit loans from banks also affect business development, in this case banks are certainly not easy in disbursing loans, banks usually see business development, one of them is in the development of recording financial statements. If the recording of financial statements is done well then decision making is also expected to be realized properly.

2. Weaknesses

Weaknesses in the implementation of recording of EMKM-based SAK financial statements, according to the information we obtained from MSMEs directly through questionnaires and interviews, most MSMEs do not know the system or how to make financial statements properly and correctly. SAK EMKM.

3. Opportunity

There are still many opportunities to provide or distribute information related to how to record financial statements properly and correctly. This is a great homework for all of us to pay attention to the MSME actors and their sustainability. The implementation of the recording of financial statements can be done from the basic stage, for example by providing counseling or training for MSME actors related to making good and correct financial reports.

4. Threats

The threat seen from this study is that if the government does not pay special attention to the sustainability of knowledge of MSME entrepreneurs it will have a major impact on the contribution of income channeled by MSME entrepreneurs to local governments, if the income of MSMEs decreases clearly regional income and economic development will decline.

- 1) The researcher offers a model for the application of electronic-based financial reporting, this is to attract investors to contribute their capital, considering that currently entering the free market. This program also makes easier for the Bank to read the financial statements of micro entities. The program or model offered by the researcher is E - SAK EMKM (electronic - SAK EMKM), this of course must be under the auspices of the government and must be fully supported in order to improve the quality of MSMEs through the presentation of EMKM GAAP Based Financial Statements.
- 2) The EMKM E-SAK program is under the auspices of the local government (for example the sub-district) because feedback between MSME actors and the government must be in good term.
- 3) The menus of the programs offered are as follows:
 - a. Main menu
SAK EMKM, in this main menu there are profiles or general rules in the presentation of financial statements for micro entities
 - b. Identity
In this menu the identity in question is the identity of the business owned by the community, for example the MSMEs in the food, beverage and craft sectors - the Financial Report

In this menu, it is classified into the main of the discussion because it has been included in the Micro Entity financial report, from the financial statements contained in this, so that the financial statements owned by MSMEs can be accessed by all parties for learning and attract investors and make it easier for the Bank to read profit and loss owned by micro entities, the goal is to make it easier to obtain a credit loan, in addition, by applying this method Indonesian SMEs have shown their quality in the eyes of the International - Transaction

In this transaction menu, the perpetrator is expected to show Transactions during the course of the business, which is intended to facilitate MSME actors to prepare a more complete Financial report.

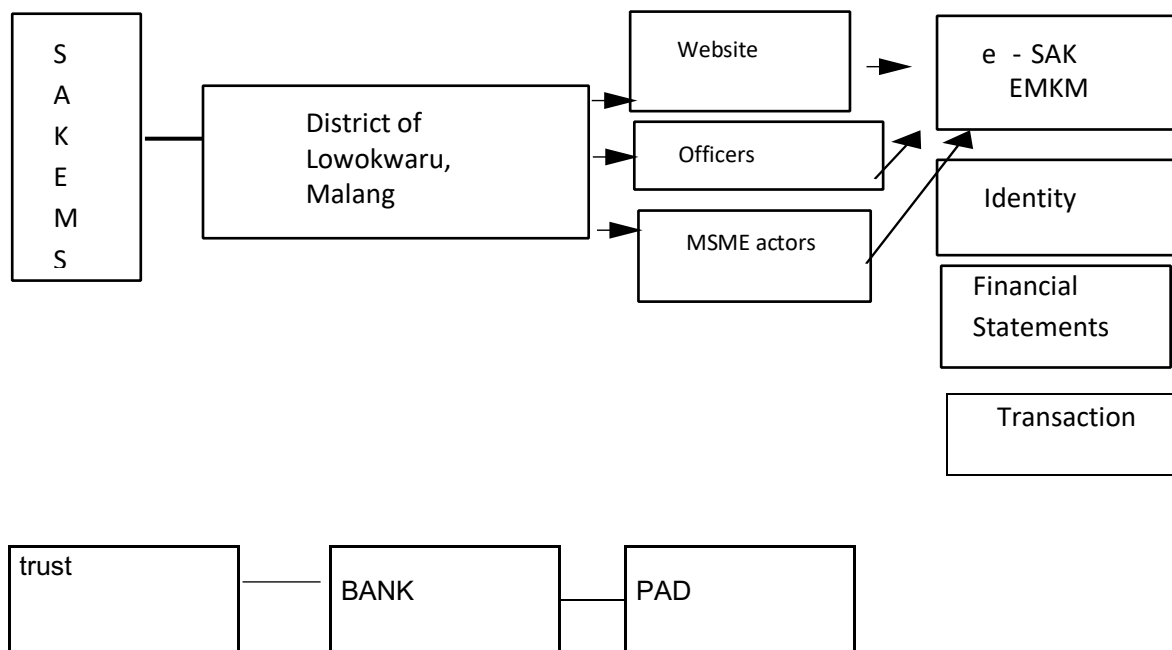


Figure 1: Transaction Menu

Conclusions

The researcher offers a model for the application of electronic-based financial reporting, this is to attract investors to contribute their capital, considering that currently entering the free market. This program also makes easier for the Bank to read the financial statements of micro entities. The program or model offered

by the researcher is E - SAK EMKM. It is hoped that by implementing this, investors' trust or banks raise for MSME players and developments Micro-businesses, this program can also lighten the bank's work in monitoring the profitability of micro-enterprises, because through this program banks can freely access financial reports and monitor developments, in addition by implementing programs like this is expected to increase regional income because of good development of micro-enterprises and investors do not need to hesitate in terms of investing their capital because of it is transparent in terms of financial statements and the quality of presentation is in accordance with the applicable standards, SAK EMKM.

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